

SENSHU ELECTRIC (9824)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY10/2018		82,038	3,868	4,105	2,371	236.36	55.00	3843.63
FY10/2019		83,676	3,979	4,206	2,714	277.04	70.00	4094.81
FY10/2020CoE		76,100	3,510	3,700	2,460	262.43	70.00	-
FY10/2019	YoY	2.0%	2.9%	2.5%	14.5%	-	-	-
FY10/2020CoE	YoY	(9.1%)	(11.8%)	(12.0%)	(9.4%)	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY10/2019		42,404	2,150	2,263	1,520	-	-	-
Q3 to Q4 FY10/2019		41,272	1,829	1,943	1,194	-	-	-
Q1 to Q2 FY10/2020		38,399	1,804	1,911	1,320	-	-	-
Q3 to Q4 FY10/2020CoE		37,701	1,706	1,789	1,140	-	-	-
Q1 to Q2 FY10/2020	YoY	(9.4%)	(16.1%)	(15.5%)	(13.1%)	-	-	-
Q3 to Q4 FY10/2020CoE	YoY	(8.7%)	(6.7%)	(7.9%)	(4.5%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (30 July 2020)

Accelerated Return to Shareholders

SENSHU ELECTRIC, technology-oriented trading house mainly of electric cables, reveals its plan to actively return earnings to shareholders, although earnings have been falling short of initial Company forecasts due to the impacts stemming from COVID-19, which was not assumed at all. Meanwhile, the Company is keen on investor relations, e.g., distributing video of its results briefing in [Japanese](#) and [English](#). Sales of so-called private-sector capex related, represented by those associated with automobile production lines, semiconductor production equipment and machine tools, are coming down sharply, while sales of so-called construction related, represented by those of power cables, are suffering from decreased volume as well as decreased unit selling prices in line with decreased quotation prices of copper. A fall in quotation prices of copper has a function to improve gross profit margin short term, but the absolute amount of gross profit as a whole for the Company fails to increase over the same period of the previous year. Still, given that equity capital stands at ¥40,043m versus total assets of ¥66,856m as of the end of Q2 FY10/2020, implying equity ratio of 59.9%, while holding net cash of ¥17,218m, the Company is to return earnings to shareholders, collectively, as much as ¥1,661m in FY10/2020, comprising dividend paid of ¥662m and share buyback of ¥999m. As a result, the Company is to renew the record high in total return ratio, suggesting that it is accelerating the measure to return earnings to shareholders. This will also help the Company to make progress towards correcting its excessive cash. The Company also reveals its stance to actively work to increase its corporate value.

IR Representative: Isamu Fukuda, Executive Officer and General Manager

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2.0 Company Profile

Technology-Oriented Trading House Mainly of Electric Cables

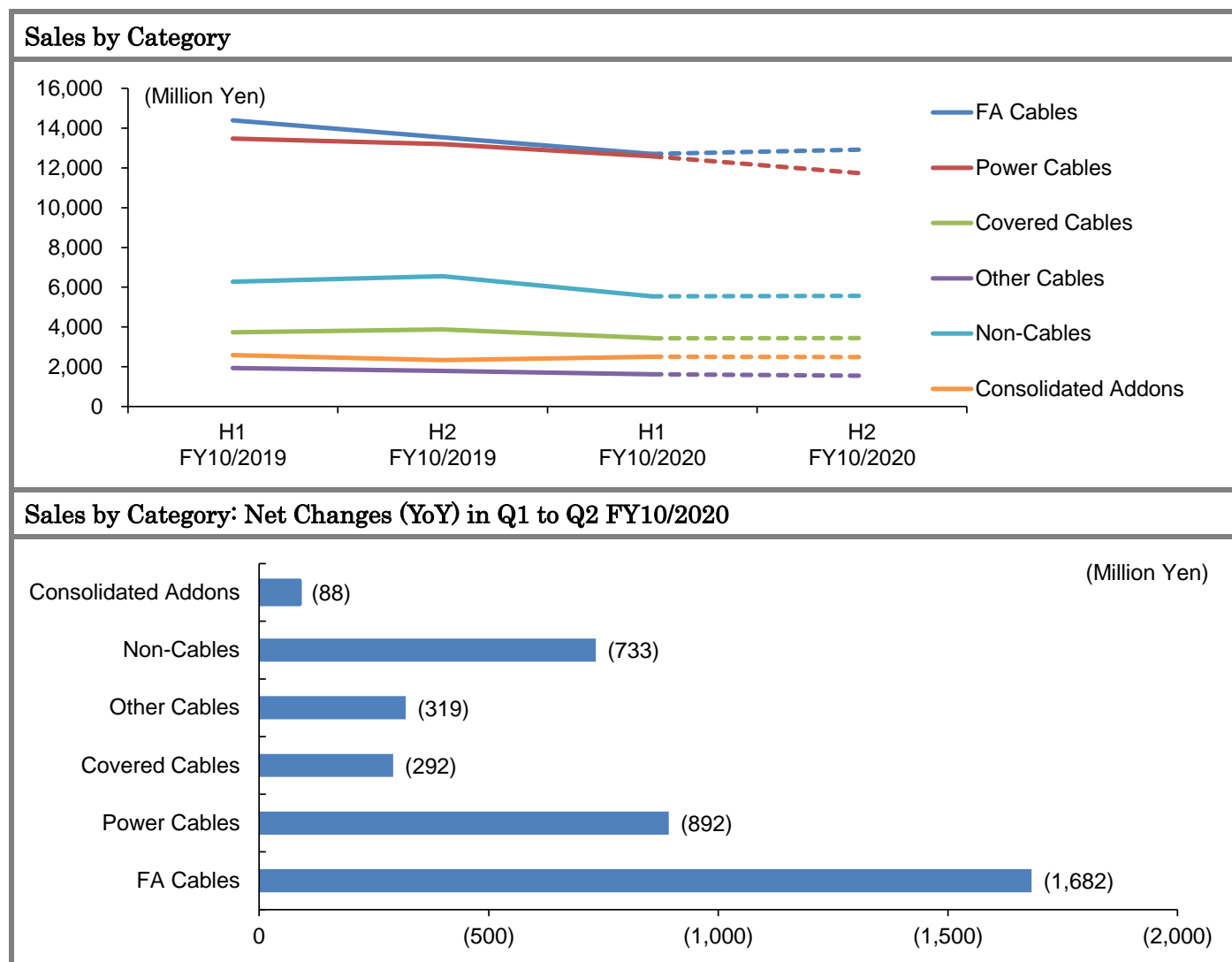
Company Name	SENSHU ELECTRIC CO.,LTD. Company Website IR Information (Japanese only) Share Price (Japanese)	 泉州電業株式会社 SENSHU ELECTRIC CO.,LTD.
Established	18 November 1949	
Listing	9 November 2017: Tokyo Stock Exchange 1st section (ticker: 9824) 8 November 2002: Tokyo Stock Exchange 2nd section 24 June 1991: Osaka Stock Exchange 2nd section	
Capital	¥2,575m (as of the end of April 2020)	
No. of Shares	10,800,000 shares, including 1,255,968 treasury shares (as of the end of April 2020)	
Main Features	<ul style="list-style-type: none"> ● Stocking and selling electric cables more than 50,000 in the number of items ● So-called private-sector capex related, i.e., FA cables, the key earning pillar ● Co-developing Original Products with suppliers or smaller manufacturers of electric cables 	
Businesses	I . Electric Cables Business	
Top Management	Representative Director and President: Motohide Nishimura	
Shareholders	TCSB (Swcc Showa Holdings Others) 10.47%, BBH Fidelity LowPriced Stocks F 9.21%, Motohide Nishimura 8.24% (as of the end of April 2020, but for treasury shares)	
Headquarters	Suita-city, Osaka-prefecture, JAPAN	
No. of Employees	Consolidated: 712, Parent: 541 (as of the end of April 2020)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY10/2020 Results

In Q1 to Q2 FY10/2020, sales came in at ¥38,399m (down 9.4% YoY), operating profit ¥1,804m (down 16.1%), recurring profit ¥1,911m (down 15.5%) and profit attributable to owners of parent ¥1,320m (down 13.1%), while operating profit margin 4.7% (down 0.4% points).



Source: Company Data, WRJ Calculation

Compared with initial Company forecasts (announced on 9 December 2019), sales were worse by ¥4,100m (9.6%), operating profit worse by ¥85m (4.5%), recurring profit worse by ¥88m (4.4%), while profit attributable to owners of parent better by ¥20m (1.6%). Sales fell short of assumptions due mainly to sharp slowdown in economy stemming from the impacts of COVID-19 and thus operating profit as well as recurring profit. With respect to profit attributable to owners of parent better than expected, it appears being attributable to improvement at the extraordinary level. Meanwhile, given a prospect that the impacts stemming from COVID-19 will persist, H2 Company forecasts (May to October 2020) have been revised down at the announcement of Q1 to Q2 results on 4 June 2020.

Sales of FA Cables came in at ¥12,709m (down 11.7%), sales of Power Cables ¥12,583m (down 6.6%) , sales of Covered Cables ¥3,444m (down 7.8%), sales of Other Cables ¥1,621m (down 16.4%) and sales of Non-Cables ¥5,538m (down 11.7%), implying that sales across the board have failed to increase over the same period of the previous year. Meanwhile, sales of Consolidated Addons came in at ¥2,501m (down 3.4%), having accounted for 6.5% of sales as a whole for the Company. In other words, sales on a parent basis (collective sales of above-mentioned each category) accounted for 93.5% of sales on a consolidated basis, implying that sales as a whole for the Company basically hinge of sales on a parent basis.

With respect to FA Cables, the Company suggests that sales have been slowing due largely to slowing private-sector capital expenditure brought forth by China-United States trade war as before on top of the impacts stemming from COVID-19, which was not expected at all. According to the Company, sales of so-called private-sector capex related are represented by those associated with automobile production lines, semiconductor production equipment and machine tools, while sales of all those domains appear to account for the majority of sales in this category. Amongst others, sales here are often related to factory automation in manufacturing factory and thus they are called “factory automation cables (FA Cables)”.

Decreased sales as a whole for the Company have something to do with a fall in quotation prices of copper, but not much as far as FA Cables are concerned. According to the Company, FA Cables have a tendency to create high added value, implying high gross profit margin, with a relatively small exposure to costs of copper, i.e., the key materials for electric cables, in terms of sales and/or cost of sales. Meanwhile, it should be the case that decreased earnings as a whole for the Company have a lot to do with decreased sales of FA Cables, when it is considered that they have a tendency to create high added value, implying high gross profit margin.

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With respect to Power Cables, sales have suffered from decreased volume as well as decreased unit selling prices in line with decreased quotation prices of copper. Meanwhile, Power Cables are adopted in any building for supplying power and thus the Company positions them as so-called construction related. Power Cables are adopted as the trunk cables and Covered Cables as the branch cables (and/or for residents). In Q1 to Q2, construction work was suspended or postponed due to the impacts stemming from COVID-19, having cut back on volume for both of them.

At the same time, both of them have a feature in common that they are exposed a lot to changes in quotation prices of copper, given a relatively large exposure to costs of copper, i.e., the key materials for electric cables, in terms of sales and/or cost of sales. In Q1 to Q2, the average quotation price of copper per ton came in at ¥658,000 (down 10.7%), having reflected in procurement prices for the Company. Then, in a sliding manner, this was reflected in unit selling prices for the Company, having cut back on sales to this extent. Meanwhile, as it takes a while for the Company to do so in a sliding manner, the Company suggests that decreased quotation prices of copper increase gross profit margin short term and vice versa. For information, changes of procurement prices are immediately reflected in cost of sales for the Company where moving average cost method is adopted for evaluating inventory (merchandises).

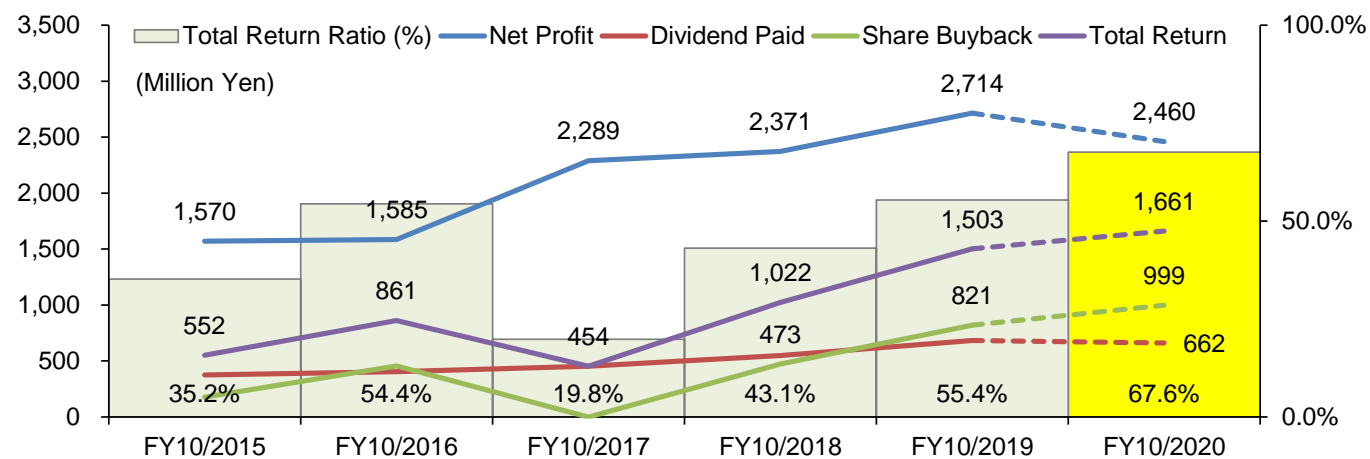
With respect to Other Cables, sales are small and the Company here sees low gross profit margin by selling bare wires to smaller manufacturers of electric cables. Thus, this category has a limited impact to business performance as a whole for the Company in the first place.

With respect to Non-Cables, the Company suggests that this is a category to book sales literally but for those of selling and stocking for electric cables, comprising merchandises related to natural energy such as photovoltaic power generation, related to processing, related to harness, cable accessories and materials to process electric cable terminals. On top of this, there is more variety of merchandises in this category. The Company is keen on promoting sales here, but it was just unavoidable to suffer from the impacts stemming from COVID-19 in Q1 to Q2.

With respect to Consolidated Addons, sales stem from the Company's subsidiaries, i.e., 6 of them in Japan and 5 of them overseas in China, Taiwan, Thailand, Philippines and Vietnam. In Japan, the Company basically pursues synergy to come from the operations with small companies to have acquired. Meanwhile, subsidiaries overseas were set up in line with production shift overseas by customers based in Japan, but the Company suggests that there are some cases where it has made some progress with cultivations of local customers to date. Just like elsewhere, sales of Consolidated Addons came down. Still, it appears that earnings here as a whole increased due to increased earnings in the ones based in Japan. Amongst others, the Company suggests that it has been beneficial that demand for special high-current connectors associated with semiconductor production equipment has been picking up sharply.

Meanwhile, with respect to profit and loss as a whole for the Company, gross profit came in at ¥6,388m (down 4.2%) and SG&A expenses ¥4,584m (up 1.5%), implying gross profit margin of 16.6% (up 0.9% points) and sales to SG&A expenses ratio of 11.9% (up 1.2% points). According to the Company, the rise in gross profit margin was mainly attributable to the mechanism mentioned above on a fall of quotation prices of copper to have worked, as well as to results on the Company's efforts to actively maintain unit selling prices in light of hiking logistics expenses. On top of this, it appears that improved earnings in Consolidated Addons also contributed. However, all those factors were not substantial enough to fully compensate for decreased sales, having resulted in decreased gross profit in amount. In terms of SG&A expenses, the Company suggests that the rise over the same period of the previous year mainly came from increased depreciation on buildings associated with the recent capital expenditure to have started to increase on a full-fledged basis.

Total Return Ratio



Payout Ratio

(Yen)	FY10/2015	FY10/2016	FY10/2017	FY10/2018	FY10/2019	FY10/2020	(YoY)
Dividend (end of Q2)	18.00	20.00	20.00	25.00	30.00	35.00	+5.00
Dividend (end of Q4)	18.00	20.00	25.00	30.00	30.00	35.00	+5.00
Ordinary Dividend	36.00	40.00	45.00	55.00	60.00	70.00	+10.00
Commemorative Dividend	-	-	-	-	10.00	-	(10.00)
Annual Dividend	36.00	40.00	45.00	55.00	70.00	70.00	-
Payout Ratio (%)	24.0%	25.8%	19.9%	23.3%	25.3%	26.7%	+1.4%

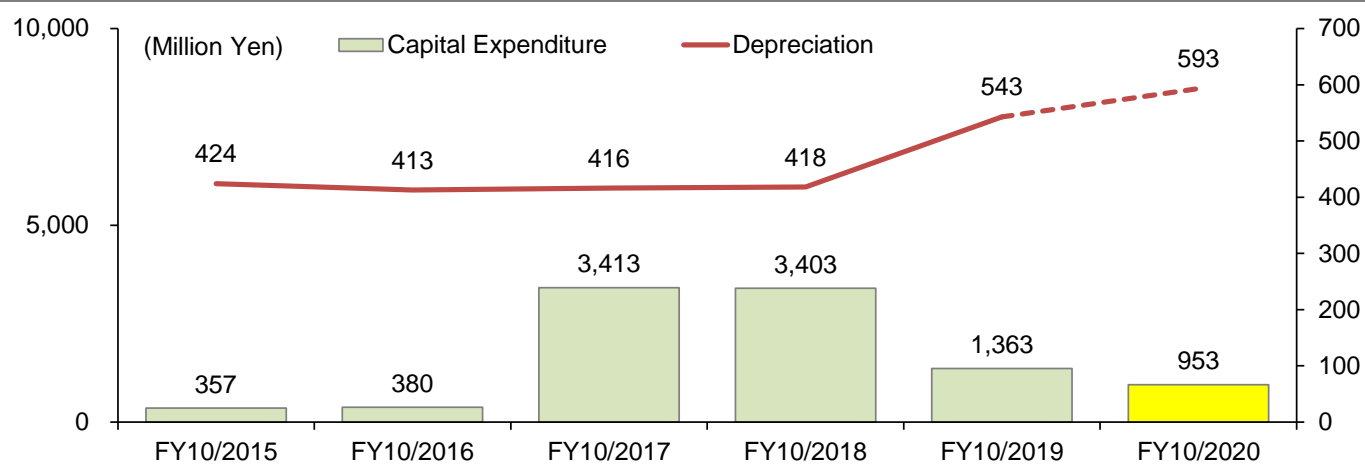
Source: Company Data, WRJ Calculation

The Company is to pay annual dividend of ¥70.00 per share, implying payout ratio of 26.7%, for FY10/2020, as planned in initial Company forecasts (announced on 9 December 2019). In terms of ordinary dividend, Company forecasts are going for increase by ¥10.00, when compared with ¥60.00 for FY10/2019, while commemorative dividend of ¥10.00 for FY10/2019 will be eliminated, resulting in annual dividend to maintain the same level as the previous year. Meanwhile, Company forecasts are going for payout ratio of 26.7% (up 1.4% points) and dividend paid of ¥662m in FY10/2020.

Elsewhere, the Company has announced on 16 January 2020 that it has completed share buyback of 146,600 shares for a total purchase price of ¥499m through market purchase on the Tokyo Stock Exchange (commencement date: 10 December 2019). In addition, at the same time as announcing Q2 results (4 June 2020), the Company has announced its plan to further buy back shares. The purchase period starts on the following day (5 June 2020) and ends as of the end of FY10/2020 (31 October 2020), while the maximum number of shares to be bought back is 170,000 shares for a total purchase price of ¥500m. The Company argues that the collective share buyback will be ¥999m for FY10/2020, simply combining both in terms of total purchase price.

All in all, the Company is going for total return of ¥1,661m, comprising dividend paid of ¥662m and share buyback of ¥999m, suggesting total return ratio of 67.6% for FY10/2020, when profit attributable to owners of parent of ¥2,460m (down 9.4% YoY) in FY10/2020 Company forecasts taken as denominator. In terms of comparison over the previous year, the denominator or profit attributable to owners of parent will decline, while share buyback will increase, resulting in total return ratio renewing record high. In light of this, we have an impression that the Company intends to accelerate return to shareholders with the implementation of the second share buyback.

Capital Expenditure and Depreciation



Osaka Distribution Center (opened on 7 May 2019: Toyonaka-city, Osaka-prefecture)



Source: Company Data, WRJ Calculation

The Company had aggressively increased capital expenditure since FY10/2017 with the aim of making own distribution system more efficient and expanding sales with the improved efficiency stemming from here, collectively equating to ¥8,179m (mainly associated with lands and buildings) over three-year period by FY10/2019. Almost half of this capital expenditure is of Osaka Distribution Center, opened on 7 May 2019, while the majority of the remaining half and a bit more is of the Company's facilities other than this mainstay distribution center with the same objectives, i.e., improvement in efficiency for own distribution system, etc., as far as we could see. Meanwhile, since entering FY10/2019, the Company suggests that depreciation has started to increase on a full-fledged basis in regards to buildings to have been completed.

Income Statement (Cumulative/Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	10/2019	10/2019	10/2019	10/2019	10/2020	10/2020	10/2020	10/2020		
Sales	21,367	42,404	63,085	83,676	20,091	38,399	-	-	-	(4,005)
Cost of Sales	17,972	35,735	53,212	70,453	16,850	32,010	-	-	-	(3,725)
Gross Profit	3,394	6,668	9,872	13,222	3,240	6,388	-	-	-	(280)
SG&A Expenses	2,316	4,518	6,895	9,243	2,421	4,584	-	-	-	+66
Operating Profit	1,077	2,150	2,976	3,979	818	1,804	-	-	-	(346)
Non Operating Balance	57	113	179	228	62	107	-	-	-	(6)
Recurring Profit	1,134	2,263	3,156	4,206	880	1,911	-	-	-	(352)
Extraordinary Balance	6	(51)	(52)	(187)	47	40	-	-	-	+91
Profit before Income Taxes	1,140	2,212	3,104	4,019	928	1,951	-	-	-	(261)
Total Income Taxes	360	673	968	1,277	304	623	-	-	-	(50)
NP Belonging to Non-Controlling SHs	12	18	28	28	6	6	-	-	-	(12)
Profit Attributable to Owners of Parent	767	1,520	2,107	2,714	616	1,320	-	-	-	(200)
Sales YoY	+4.4%	+3.6%	+3.9%	+2.0%	(6.0%)	(9.4%)	-	-	-	-
Operating Profit YoY	+34.8%	+18.0%	+8.4%	+2.9%	(24.0%)	(16.1%)	-	-	-	-
Recurring Profit YoY	+29.5%	+16.4%	+7.4%	+2.5%	(22.4%)	(15.5%)	-	-	-	-
Profit Attributable to Owners of Parent YoY	+28.8%	+13.4%	+4.1%	+14.5%	(19.7%)	(13.1%)	-	-	-	-
Gross Profit Margin	15.9%	15.7%	15.6%	15.8%	16.1%	16.6%	-	-	-	+0.9%
SGA Ratio	10.8%	10.7%	10.9%	11.0%	12.1%	11.9%	-	-	-	+1.2%
Operating Profit Margin	5.0%	5.1%	4.7%	4.8%	4.1%	4.7%	-	-	-	(0.4%)
Recurring Profit Margin	5.3%	5.3%	5.0%	5.0%	4.4%	5.0%	-	-	-	(0.4%)
Profit Attributable to Owners of Parent Margin	3.6%	3.6%	3.3%	3.2%	3.1%	3.4%	-	-	-	(0.1%)
Tax Charges etc. / Pretax Profit	31.6%	30.4%	31.2%	31.8%	32.8%	31.9%	-	-	-	+1.5%
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	10/2019	10/2019	10/2019	10/2019	10/2020	10/2020	10/2020	10/2020		
Sales	21,367	21,037	20,681	20,591	20,091	18,308	-	-	-	(2,729)
Cost of Sales	17,972	17,763	17,477	17,241	16,850	15,160	-	-	-	(2,603)
Gross Profit	3,394	3,274	3,204	3,350	3,240	3,148	-	-	-	(126)
SG&A Expenses	2,316	2,202	2,377	2,348	2,421	2,163	-	-	-	(39)
Operating Profit	1,077	1,073	826	1,003	818	986	-	-	-	(87)
Non Operating Balance	57	56	66	49	62	45	-	-	-	(11)
Recurring Profit	1,134	1,129	893	1,050	880	1,031	-	-	-	(98)
Extraordinary Balance	6	(57)	(1)	(135)	47	(7)	-	-	-	+50
Profit before Income Taxes	1,140	1,072	892	915	928	1,023	-	-	-	(49)
Total Income Taxes	360	313	295	309	304	319	-	-	-	+6
NP Belonging to Non-Controlling SHs	12	6	10	0	6	0	-	-	-	(6)
Profit Attributable to Owners of Parent	767	753	587	607	616	704	-	-	-	(49)
Sales YoY	+4.4%	+2.8%	+4.4%	(3.3%)	(6.0%)	(13.0%)	-	-	-	-
Operating Profit YoY	+34.8%	+4.9%	(10.5%)	(10.7%)	(24.0%)	(8.1%)	-	-	-	-
Recurring Profit YoY	+29.5%	+5.8%	(10.3%)	(10.0%)	(22.4%)	(8.7%)	-	-	-	-
Profit Attributable to Owners of Parent YoY	+28.8%	+0.9%	(14.1%)	+74.9%	(19.7%)	(6.5%)	-	-	-	-
Gross Profit Margin	15.9%	15.6%	15.5%	16.3%	16.1%	17.2%	-	-	-	+1.6%
SGA Ratio	10.8%	10.5%	11.5%	11.4%	12.1%	11.8%	-	-	-	+1.3%
Operating Profit Margin	5.0%	5.1%	4.0%	4.9%	4.1%	5.4%	-	-	-	+0.3%
Recurring Profit Margin	5.3%	5.4%	4.3%	5.1%	4.4%	5.6%	-	-	-	+0.3%
Profit Attributable to Owners of Parent Margin	3.6%	3.6%	2.8%	2.9%	3.1%	3.8%	-	-	-	+0.3%
Tax Charges etc. / Pretax Profit	31.6%	30.4%	33.1%	33.8%	32.8%	31.9%	-	-	-	+1.5%

Source: Company Data, WRJ Calculation

Sales by Category (Cumulative/Quarterly)

Sales by Category	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	10/2019	10/2019	10/2019	10/2019	10/2020	10/2020	10/2020	10/2020		
FA Cables	7,266	14,391	21,318	27,922	6,465	12,709	-	-		(1,682)
Power Cables	6,836	13,475	19,865	26,671	6,920	12,583	-	-		(892)
Covered Cables	1,904	3,736	5,680	7,606	1,783	3,444	-	-		(292)
Other Cables	984	1,940	2,921	3,729	869	1,621	-	-		(319)
Non-Cables	3,170	6,271	9,520	12,821	2,847	5,538	-	-		(733)
Sales (on a Parent basis)	20,162	39,815	59,306	78,750	18,884	35,898	-	-		(3,917)
Consolidated Addons	1,205	2,589	3,779	4,926	1,207	2,501	-	-		(88)
Sales	21,367	42,404	63,085	83,676	20,091	38,399	-	-		(4,005)
FA Cables	(0.1%)	(2.0%)	(2.8%)	(4.6%)	(11.0%)	(11.7%)	-	-		-
Power Cables	+7.7%	+9.5%	+11.3%	+9.0%	+1.2%	(6.6%)	-	-		-
Covered Cables	(8.2%)	(7.4%)	(4.1%)	(3.5%)	(6.4%)	(7.8%)	-	-		-
Other Cables	(3.0%)	(5.0%)	(6.3%)	(8.6%)	(11.7%)	(16.4%)	-	-		-
Non-Cables	+19.6%	+16.3%	+14.6%	+12.1%	(10.2%)	(11.7%)	-	-		-
Sales (on a Parent basis)	+4.1%	+3.5%	+3.8%	+2.1%	(6.3%)	(9.8%)	-	-		-
Consolidated Addons	+9.0%	+4.5%	+4.4%	+0.4%	+0.2%	(3.4%)	-	-		-
Sales (YoY)	+4.4%	+3.6%	+3.9%	+2.0%	(6.0%)	(9.4%)	-	-		-
FA Cables	36.0%	36.1%	35.9%	35.5%	34.2%	35.4%	-	-		-
Power Cables	33.9%	33.8%	33.5%	33.9%	36.6%	35.1%	-	-		-
Covered Cables	9.4%	9.4%	9.6%	9.7%	9.4%	9.6%	-	-		-
Other Cables	4.9%	4.9%	4.9%	4.7%	4.6%	4.5%	-	-		-
Non-Cables	15.7%	15.8%	16.1%	16.2%	15.1%	15.4%	-	-		-
Sales (on a Parent basis)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-		-
Sales (on a Parent basis)	94.4%	93.9%	94.0%	94.1%	94.0%	93.5%	-	-		-
Consolidated Addons	5.6%	6.1%	6.0%	5.9%	6.0%	6.5%	-	-		-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-		-
Sales by Category	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	10/2019	10/2019	10/2019	10/2019	10/2020	10/2020	10/2020	10/2020		
FA Cables	7,266	7,125	6,927	6,604	6,465	6,244	-	-		(881)
Power Cables	6,836	6,639	6,390	6,806	6,920	5,663	-	-		(976)
Covered Cables	1,904	1,832	1,944	1,926	1,783	1,661	-	-		(171)
Other Cables	984	956	981	808	869	752	-	-		(204)
Non-Cables	3,170	3,101	3,249	3,301	2,847	2,691	-	-		(410)
Sales (on a Parent basis)	20,162	19,653	19,491	19,444	18,884	17,014	-	-		(2,639)
Consolidated Addons	1,205	1,384	1,190	1,147	1,207	1,294	-	-		(90)
Sales	21,367	21,037	20,681	20,591	20,091	18,308	-	-		(2,729)
FA Cables	(0.1%)	(3.9%)	(4.2%)	(9.9%)	(11.0%)	(12.4%)	-	-		-
Power Cables	+7.7%	+11.5%	+15.1%	+2.7%	+1.2%	(14.7%)	-	-		-
Covered Cables	(8.2%)	(6.6%)	+2.9%	(1.5%)	(6.4%)	(9.3%)	-	-		-
Other Cables	(3.0%)	(7.0%)	(8.7%)	(15.9%)	(11.7%)	(21.3%)	-	-		-
Non-Cables	+19.6%	+13.1%	+11.5%	+5.4%	(10.2%)	(13.2%)	-	-		-
Sales (on a Parent basis)	+4.1%	+2.9%	+4.4%	(2.8%)	(6.3%)	(13.4%)	-	-		-
Consolidated Addons	+9.0%	+0.9%	+4.3%	(11.0%)	+0.2%	(6.5%)	-	-		-
Sales (YoY)	+4.4%	+2.8%	+4.4%	(3.3%)	(6.0%)	(13.0%)	-	-		-
FA Cables	36.0%	36.3%	35.5%	34.0%	34.2%	36.7%	-	-		-
Power Cables	33.9%	33.8%	32.8%	35.0%	36.6%	33.3%	-	-		-
Covered Cables	9.4%	9.3%	10.0%	9.9%	9.4%	9.8%	-	-		-
Other Cables	4.9%	4.9%	5.0%	4.2%	4.6%	4.4%	-	-		-
Non-Cables	15.7%	15.8%	16.7%	17.0%	15.1%	15.8%	-	-		-
Sales (on a Parent basis)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-		-
Sales (on a Parent basis)	94.4%	93.4%	94.2%	94.4%	94.0%	92.9%	-	-		-
Consolidated Addons	5.6%	6.6%	5.8%	5.6%	6.0%	7.1%	-	-		-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-		-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 10/2019	Q2 10/2019	Q3 10/2019	Q4 10/2019	Q1 10/2020	Q2 10/2020	Q3 10/2020	Q4 10/2020		
Cash and Deposit	14,798	14,752	13,996	15,972	16,187	17,323	-	-	+2,571	
Accounts Receivables	24,387	24,764	24,540	24,207	23,292	21,259	-	-	(3,505)	
Inventory	4,378	4,361	4,411	4,128	4,354	4,186	-	-	(175)	
Other	234	383	272	205	104	247	-	-	(136)	
Current Assets	43,797	44,260	43,219	44,512	43,937	43,015	-	-	(1,245)	
Tangible Assets	17,433	18,337	18,327	18,052	17,986	17,929	-	-	(408)	
Intangible Assets	209	193	187	175	160	146	-	-	(47)	
Investments and Other Assets	5,826	5,764	5,620	5,849	5,829	5,765	-	-	+1	
Fixed Assets	23,469	24,296	24,135	24,077	23,976	23,841	-	-	(455)	
Total Assets	67,267	68,556	67,355	68,589	67,914	66,856	-	-	(1,700)	
Accounts Payables	24,368	23,818	23,651	23,537	23,925	21,631	-	-	(2,187)	
Short-Term Debt	115	105	105	105	105	105	-	-	0	
Other	1,501	2,607	1,755	2,407	1,547	2,223	-	-	(384)	
Current Liabilities	25,984	26,530	25,511	26,049	25,577	23,959	-	-	(2,571)	
Long-Term Debt	-	-	-	-	-	-	-	-	-	
Other	2,771	2,762	2,787	2,790	2,721	2,707	-	-	(55)	
Fixed Liabilities	2,771	2,762	2,787	2,790	2,721	2,707	-	-	(55)	
Total Liabilities	28,755	29,292	28,298	28,840	28,298	26,666	-	-	(2,626)	
Shareholders' Equity	38,045	38,716	38,551	39,158	38,937	39,690	-	-	+974	
Other	466	547	505	591	678	500	-	-	(47)	
Net Assets	38,511	39,263	39,056	39,749	39,615	40,190	-	-	+927	
Total Liabilities and Net Assets	67,267	68,556	67,355	68,589	67,914	66,856	-	-	(1,700)	
Equity Capital	38,391	39,134	38,917	39,608	39,465	40,043	-	-	+909	
Interest Bearing Debt	115	105	105	105	105	105	-	-	0	
Net Debt	(14,683)	(14,647)	(13,891)	(15,867)	(16,082)	(17,218)	-	-	(2,571)	
Capital Ratio	57.1%	57.1%	57.8%	57.7%	58.1%	59.9%	-	-	-	
Net Debt Equity Ratio	(38.2%)	(37.4%)	(35.7%)	(40.1%)	(40.8%)	(43.0%)	-	-	-	
ROE (12 months)	6.7%	6.6%	6.4%	7.0%	6.6%	6.4%	-	-	-	
ROA (12 months)	6.6%	6.6%	6.5%	6.2%	5.8%	5.7%	-	-	-	
Months for Inventory Turnover	0.61	0.62	0.64	0.60	0.65	0.69	-	-	-	
Quick Ratio	151%	149%	151%	154%	154%	161%	-	-	-	
Current Ratio	169%	167%	169%	171%	172%	180%	-	-	-	

Source: Company Data, WRJ Calculation

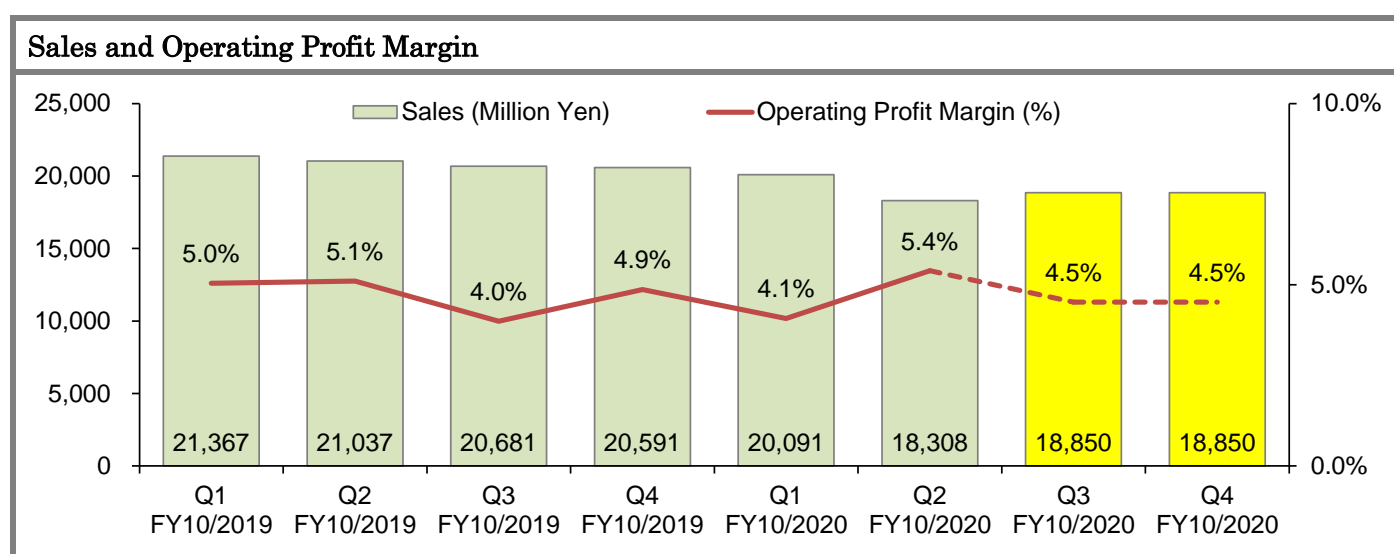
Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 10/2019	Q1 to Q2 10/2019	Q1 to Q3 10/2019	Q1 to Q4 10/2019	Q1 10/2020	Q1 to Q2 10/2020	Q1 to Q3 10/2020	Q1 to Q4 10/2020		
Operating Cash Flow	-	839	-	3,349	-	2,349	-	-	+1,510	
Investing Cash Flow	-	(820)	-	(1,199)	-	(180)	-	-	+640	
Operating Cash Flow and Investing Cash Flow	-	19	-	2,150	-	2,169	-	-	+2,150	
Financing Cash Flow	-	(748)	-	(1,525)	-	(865)	-	-	(117)	

Source: Company Data, WRJ Calculation

FY10/2020 Company Forecasts

FY10/2020 Company forecasts (announced on 4 June 2020) are going for prospective sales of ¥76,100m (down 9.1% YoY), operating profit of ¥3,510m (down 11.8%), recurring profit of ¥3,700m (down 12.0%) and profit attributable to owners of parent of ¥2,460m (down 9.4%), while operating profit margin of 4.6% (down 0.2% points). At the same time, Company forecasts assume the average quoting price of copper per ton of ¥630,000 (down 10.8%). Initial Company forecasts (announced on 9 December 2019) have been revised down by ¥12,700m (14.3%) in sales, by ¥700m (16.6%) in operating profit, by ¥720m (16.3%) in recurring profit and by ¥460m (15.8%) in profit attributable to owners of parent.

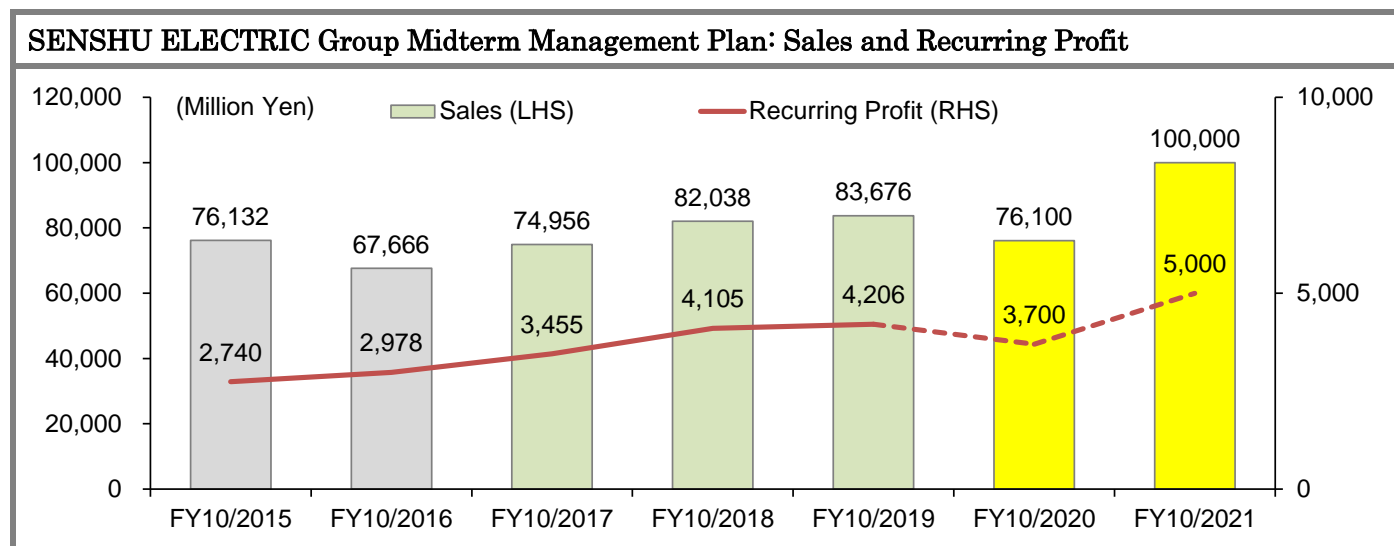


Source: Company Data, WRJ Calculation (Q3 and Q4 of FY10/2020: H2 Company forecasts, pro rata)

In addition to Q1 to Q2 results having fallen short of assumptions of initial Company forecasts, the impacts stemming from COVID-19 for H2 (May to October 2020) remains unclear, which has been reflected in the revision. The shortfall in sales in Q1 to Q2 equated to ¥4,100m (9.6%), while sales in H2 have been revised down by ¥8,599m (18.6%), implying that the impacts stemming from COVID-19 are expected to enlarge going forward. As is taken for granted, this is also true of prospective earnings.

Long-Term Prospects

At the announcement of FY10/2016 results on 9 December 2016, the Company also announced SENSHU ELECTRIC Group Midterm Management Plan. While setting 5-year period through FY10/2017 to FY10/2021 as the term of the plan, the Company is calling for prospective sales of ¥100,000m, recurring profit of ¥5,000m and ROE of 6.0% or more in FY10/2021, i.e., the last year of the plan.

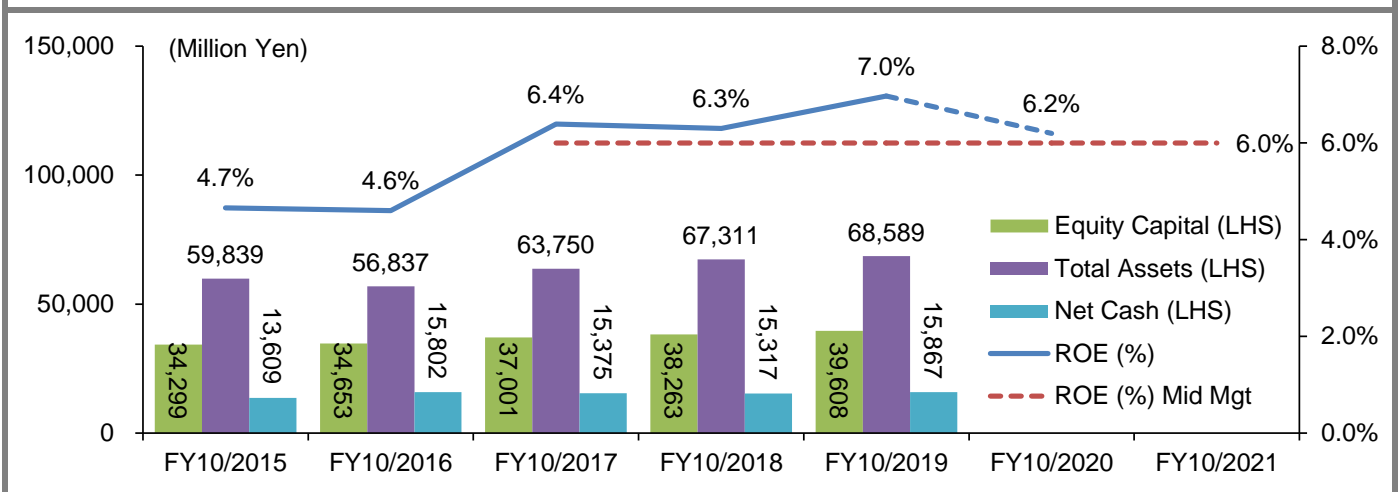


Source: Company Data, WRJ Calculation

When based on FY10/2016 results, the plan is calling for CAGR of 8.1% in sales and 10.9% in earnings over the 5-year period by FY10/2021. Meanwhile, in the first three years, i.e., through FY10/2017 to FY10/2019, the Company saw CAGR of 7.3% in sales and 12.2% in earnings, basically in line with assumptions of the midterm management plan. During the same period, CAGR in sales was marginally below expectations, but that of earnings was rather better. Given the gist of the plan that the Company should achieve stable growth in sales and earnings over the long term, we feel that the target business performance had been just achieved till then.

For FY10/2020, the same trend for the business performance used to be expected to continue, but the impacts stemming from COVID-19 have unexpectedly occurred as mentioned earlier. At the moment, there are no factors of denying the uncertainty towards achieving the business performance targets for FY10/2021 with SENSHU ELECTRIC Group Midterm Management Plan.

SENSHU ELECTRIC Group Midterm Management Plan: ROE



Source: Company Data, WRJ Calculation




As of the end of Q2 FY10/2020, total assets stood at ¥66,856m and equity capital ¥40,043m, implying capital ratio of 59.9% and thus a solid financial background is suggested. Given net cash of ¥17,218m, it can be considered that investment to promote long-term growth is not enough, but the Company's business model, based on stocking and selling, is of seeing return more than a certain level with limited investment in the first place.

The Company saw ROE of 6.4% for FY10/2017, which was the first year of SENSHU ELECTRIC Group Midterm Management Plan, suggesting that the target for FY10/2021, i.e., ROE of 6.0% or more, was achieved from the very beginning. Meanwhile, the Company is currently going for prospective ROE of 6.2% for FY10/2020, implying that the target for FY10/2021, i.e., ROE of 6.0% or more, will be achievable, even when suffering from the impacts stemming from COVID-19. On top of this, it appears that the Company has a plan to achieve ROE of 8.0% as soon as possible.

4.0 Business Model

Technology-Oriented Trading House Mainly of Electric Cables

The Company, technology-oriented trading house mainly of electric cables, saw listing change to 1st section from 2nd section in Tokyo Stock Exchange on 9 November 2017, while having gone through 70th anniversary on 18 November 2019, consistently creates added value together with a) JUST IN TIME SYSTEM, b) Original Products and c) Cable Assemblies.

The Three Business Models		
<p>JUST IN TIME SYSTEM (logistics warehouse)</p> 	<p>Original Products (co-development with electric cable manufacturers)</p> 	<p>Cable Assemblies (terminal processing)</p> 

Source: Company Data

The Company adopts a) JUST IN TIME SYSTEM in its mainstay business of stocking and selling for electric cables, under which it "delivers the required merchandises as much as needed when needed". Together with this, the Company runs the first-class integrated operations amongst peers on ordering to delivery, fulfilling demand from customers as many as 3,500 or more in the number. By type of business, all those customers are wide-ranging. Just roughly speaking, Electrical Facilities Materials Sales Companies account for some 50% of sales, Direct Demand (end users) some 28% and Electrical Construction Companies some 18%.

The overall picture is that the suppliers for the Company, i.e., manufacturers of electric cables as many as 250 or more in the number, directly supplies major end users represented by telecom carriers and/or power utility companies, while taking advantage of the Company's efficient distribution system for smaller end users. However, as far as sales of so-called private-sector capex related, represented by those associated with automobile production lines, semiconductor production equipment and machine tools are concerned, the Company suggests that it often supplies all those end users directly, which is called Direct Demand.

Amongst FA Cables to create high added value, b) Original Products are suggested to do so most substantially, which the Company co-develops with suppliers. i.e., often smaller manufacturers of electric cables. This is implemented in line with specific and detailed needs of each end user in the domain of so-called private-sector capex related where the Company is heavily involved with Direct Demand. Given that they are literally "original", the Company is not exposed to price-oriented competition and thus sees relatively high gross profit margin.

Meanwhile, the Company, striving to expand sales at 17 strongholds across Japan from Hokkaido to Okinawa, deals in merchandises as many as 50,000 or more in the number of items, which is one of the largest amongst peers. At the same time, the Company always stocks enough inventory at logistics warehouses totaling some 60,000 square meters in the floor space, equating to roughly ¥3,000m to ¥4,000m in the value, where the majority is of FA Cables, including Original Products.

In addition, the Company has facilities for cable assemblies (terminal processing for electric cables) in 7 strongholds out of the above-mentioned 17 strongholds, running operations to manufacture semi-finished products in line with needs of customers belonging to Direct Demand, etc., which creates additional added value.

In other words, the Company is actively working to maximize added value by efficiently running operations of stocking and selling for electric cables with a) JUST IN TIME SYSTEM adopted as well as by heavily involved with b) Original Products and c) Cable Assemblies based on own technology and knowhows. Thus, the Company is positioned as Technology-Oriented Trading House Mainly of Electric Cables.

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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